

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1000 – HB 1373

March 21, 2017

SUMMARY OF ORIGINAL BILL: Creates the Pension Stabilization Reserve Trust (Hybrid Trust) for the benefit of the participants and beneficiaries of the hybrid retirement plan. Requires the Stabilization Reserve Trust be funded through employer contributions and administered by the Department of Treasury. Requires employer funding that is in excess of the actuarially determined contribution (ADC) to be deposited in the Hybrid Trust. Requires funds in the Trust be used when employer reserve accounts are not sufficient to meet benefit liabilities.

Creates the Legacy Pension Stabilization Reserve Trust (Legacy Trust) for the benefit of the participants and beneficiaries of the legacy retirement. Requires the Legacy Trust to be funded through appropriations made through the General Appropriations Act as needed to fund an insufficiency in the employer contribution.

Requires the Attorney General and Reporter to approve terms. Requires the Comptroller of the Treasury, the Commissioner of the Department of Financial Institutions, the Commissioner of the Department of Finance and Administration, the Secretary of State, and the Treasurer to serve as trustees over the Trusts. Requires annual financial reports to be prepared relative to the activities of the Trusts. Requires the Treasurer to assess a charge to the Trusts in an amount to meet administrative and investment expenses.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – The precise amount allocated to and from the Hybrid Trust is unknown and dependent upon multiple unknown factors and cannot be reasonably determined. Any future appropriation made by the General Assembly to the Legacy Trust will be an increase in state expenditures; the extent and timing of which are unknown and dependent upon multiple unknown factors and cannot be reasonably determined.

SUMMARY OF AMENDMENT (004663): Deletes and rewrites the bill such that the only substantive changes are: (1) creates the Teacher Legacy Pension Stabilization Reserve Trust (Teacher Trust); (2) changes, from 2015 to 2018, the base year for determining an amount necessary to fund an increase in the employer contribution rate; and (3) requires the Teacher

Trust to be funded through a mechanism and methodology determined by the Commissioner of the Department of Finance and Administration (F&A) and the Treasurer.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – The precise amount allocated to and from the Hybrid Trust is unknown and dependent upon multiple unknown factors and cannot be reasonably determined. Any future appropriation made by the General Assembly to the Legacy Trust will be an increase in state expenditures; the extent and timing of which are unknown and dependent upon multiple unknown factors and cannot be reasonably determined.

The funding mechanism and methodology that will be established by the Commissioner of the Department of Finance and Administration and the Treasurer to fund the Teacher Trust is unknown; therefore, any related fiscal impact cannot be determined.

Assumptions for the bill as amended:

- Based on information provided by the Tennessee Consolidated Retirement System (TCRS), current statutorily required employer contributions are sometimes greater than the actuarially determined contribution (ADC) to meet benefit liabilities.
- The precise amount of excess funding that will be deposited into the Hybrid Trust in any given year is dependent on multiple unknown factors.
- The precise amount of funding that will be required to be paid from the Hybrid Trust to fund employer reserve accounts that are not sufficient to meet benefit liabilities is dependent upon multiple unknown factors.
- The net impact on the newly-created Hybrid Trust cannot be reasonably determined.
- No change to employer contributions or benefit payments for hybrid plan participants; the reserve funding could prevent owed benefits from not being paid when required.
- Any one-time increase in state expenditures required and the timing of such expenditures from the General Fund to fund a Legacy Trust insufficiency is dependent upon multiple unknown factors and cannot be reasonably determined.
- The funding mechanism and methodology that will be established by the Commissioner of F&A and the Treasurer to fund the Teacher Trust is not known; therefore, any fiscal impact cannot be determined.
- The precise amount of administrative funding required by the Treasurer to fund investment of the Trusts is dependent on the amount allocated and invested paid from the Trusts.
- Any expenditure for the trustees to meet and file reports can be handled within existing resources and are considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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